

Legislative Audit Division

State of Montana



Report to the Legislature

November 2002

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 2002

Department of Fish, Wildlife and Parks

This report contains three recommendations relating to:

- ▶ Timeliness of cash deposits.
- ▶ Following proper procurement procedures.
- ▶ Compliance with foundation operating agreement.

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report, which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2003, will be issued by March 31, 2004. The Single Audit Report for the two fiscal years ended June 30, 2001, was issued on March 26, 2002. Copies of the Single Audit Report, when available, can be obtained by contacting:

Single Audit Coordinator
Office of Budget and Program Planning
State Capitol
Helena MT 59620
Phone (406) 444-3616

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Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

November 2002

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report for the Montana Department of Fish, Wildlife and Parks for the two fiscal years ended June 30, 2002. Our report contains three recommendations related to timeliness of deposits, following proper procurement procedures, and compliance with the foundation operating agreement. The department's written response to the audit recommendations is included in the back of the report.

We thank the Director and his staff for their assistance and cooperation during the audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott A. Seacat".

Scott A. Seacat
Legislative Auditor



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Legislative Audit Division

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 2002

Department of Fish, Wildlife and Parks

Members of the audit staff involved in this audit were Laurie Barrett,
Laurie H. Evans, Jason Gilliam, Wayne D. Guazzo, Paul J. O'Loughlin,
Lorry Parriman, Jeff Tamblyn, and Joyce Weber.

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Appointed and Administrative Officials

Montana Fish, Wildlife and Parks Commission

		<u>Term Expires</u>
Dan Walker, Chairman	Billings	2005
Tim Mulligan, Vice Chairman	Whitehall	2003
Darlyne Dascher	Fort Peck	2003
John Lane	Cascade	2005
Michael Murphy	Wolf Creek	2005

Department Administrative Officials

M. Jeff Hagener, Director

Chris Smith, Chief of Staff

Larry Peterman, Chief of Field Operations

Dan Ellison, Chief of Administration and Finance Division

Ron Aasheim, Administrator
Conservation Education Division

Larry Peterman, Acting Administrator
Field Services Division

Chris Hunter, Administrator
Fisheries Division

Jim Kropp, Administrator
Enforcement Division

Doug Monger, Administrator
Parks Division

Don Childress, Administrator
Wildlife Division

For additional information concerning the Department of Fish,
Wildlife and Parks, contact Dan Ellison, Chief of Administration and
Finance Division at:

1420 East Sixth Avenue
PO Box 200701
Helena MT 59620-0701
(406) 444-4786
e-mail: dellison@state.mt.us

Department of Fish, Wildlife and Parks

This audit report is the result of our financial-compliance audit of the Department of Fish, Wildlife and Parks for the two fiscal years ending June 30, 2002. The three recommendations in this report relate to cash deposit issues, following state procurement law, and compliance with the foundation operating agreement.

We issued an unqualified opinion on the financial schedules contained in this report. The reader may rely on the financial information presented in the financial schedules and the supporting data on the state's accounting system.

The listing below summarizes the recommendations contained in the report, indicates where the issue is presented in the report, and provides a reference to the department's response.

Recommendation #1

We recommend the department review its depositing procedures to ensure deposits are made in accordance with state law. 8

Department Response: Concur. See page B-3.

Recommendation #2

We recommend the department continue to ensure existing procedures are followed for contract procurement and monitoring in accordance with state and federal requirements. 9

Department Response: Concur. See page B-3.

Recommendation #3

We recommend the department ensure compliance with the foundation agreement requirements to obtain annual financial reports and ensure arms length transactions. 10

Department Response: Concur. See page B-4.

Introduction

Introduction

We performed a financial-compliance audit of the Department of Fish, Wildlife and Parks (department) for the two fiscal years ended June 30, 2002. The objectives of the audit were to:

1. Determine if the department complied with applicable laws and regulations which could have a significant effect on the financial schedules.
2. Make recommendations for improvement in the management and internal controls of the department.
3. Determine the implementation status of prior audit recommendations.
4. Determine if the financial schedules present fairly the results of the department's operations for each of the two fiscal years ended June 30, 2002.

As required by section 17-8-101(6), MCA, we audited Internal Service Fund type fees and fund equity balances at the department. The statute requires fees and charges for services, which are deposited into Internal Service Funds, be based upon commensurate costs. The Internal Service Funds at the department include the duplicating center, vehicle account, capitol grounds maintenance, and warehouse inventory. Based upon our review, nothing came to our attention to indicate the department is not in substantial compliance with this law.

In accordance with section 5-13-307(2), MCA, we analyzed and disclosed the cost, if significant, of implementing the three recommendations we made to the department.

Background

The department's mission is to provide for the stewardship of the fish, wildlife, parks, and recreational resources of Montana while contributing to the quality of life for present and future generations.

The department's headquarters are located in Helena. The department maintains seven regional offices located in Kalispell, Missoula, Bozeman, Billings, Great Falls, Glasgow, and Miles City.

Introduction

There are also five area offices located in Libby, Havre, Lewistown, Butte, and Helena. A regional supervisor directs each region.

The five-member Fish, Wildlife and Parks Commission sets fish and wildlife regulations, approves property acquisitions, and approves certain rules and activities of the department as provided by statute. Commission members are appointed by the governor and confirmed by the senate. Statute requires representation from five geographical areas of the state.

The department had approximately 568 and 583 budgeted full-time equivalent positions in fiscal years 2001 and 2002, respectively. The following paragraphs outline the department organization as reflected in program expenditures on the Schedules of Total Expenditures & Transfers-Out on pages A-9 and A-10.

Administration and Finance - the program includes accounting, fiscal and budgeting services, human resource support, purchasing and property management services, federal aid administration, licensing of hunters and anglers, and information technology services.

Capital Outlay - accounts for major repair and maintenance of the department's properties, renovation and construction of facilities, and protection and enhancement of critical habitats.

Conservation Education - is responsible for public relation functions of the department including film production and publication and distribution of the Montana Outdoors magazine. The division also informs the public about fish and wildlife laws, administrative rules, and policies designed to regulate outdoor recreational activities.

Department Management - is responsible for department direction regarding policy, planning, program development, guidelines and budgets, direct interaction with the Fish, Wildlife and Parks Commission, and decision-making authority for key resource activities affecting the department.

Field Services – is responsible for a wide array of support functions to the department and its field offices. These functions include game damage program administration, landowner/sportsman relations, block management, design and construction of department facilities, and the aircraft pool.

Fisheries - is responsible for preserving and perpetuating all aquatic species and their ecosystems and meeting the public demand for fishing opportunities.

Enforcement - is responsible for ensuring compliance with laws and regulations regarding fish, wildlife and parks through enforcement actions, education, and enhancing relations with landowners, recreationists and the general public.

Parks - is responsible for conserving the scenic, historic, archaeologic, scientific, and recreational resources to meet present and future needs.

Wildlife - is responsible for management of all native wildlife species within the state. The goals of the division are intended to protect, perpetuate, enhance, and regulate the use of renewable wildlife resources for public benefit now and in the future.

The department is primarily funded by user fees such as hunting and fishing licenses and state park use fees. The department also receives federal funds to aid in fish and wildlife restoration efforts, for parks development and maintenance, for boating safety, education and regulation, and other programs.

Automated Licensing System

During fiscal year 2002, the department began using an Automated Licensing System (ALS). ALS automated the licensing process and is intended to provide timely information to management.

Information system auditors in our office issued a report (02DP-07) on the ALS. The report addresses the automated process of issuing licenses and permits, as well as the status of system implementation as of July 2002.

Prior Audit Recommendations

Prior Audit Recommendations

Our previous audit report covering fiscal years 1999 and 2000 contained four recommendations. The department implemented all of the recommendations.

Prior Audit Recommendations

The auditor's report on the financial statements for the year ended 31st March 2019 was unqualified. The auditor's report on the financial statements for the year ended 31st March 2020 was qualified. The auditor's report on the financial statements for the year ended 31st March 2021 was qualified. The auditor's report on the financial statements for the year ended 31st March 2022 was qualified. The auditor's report on the financial statements for the year ended 31st March 2023 was qualified.

Findings and Recommendations

Compliance Issues

During our audit we noted instances where the department can improve processes and procedures regarding compliance with state and federal law. The following sections discuss our findings.

Delayed Deposits

Section 17-6-105, MCA, requires state agencies to deposit collections daily when coin and currency exceed \$100, when all collections (coin, currency, and checks) exceed \$500 and in any case at least weekly.

We noted collections at the information desk in the Helena headquarters were not deposited in accordance with state law. We reviewed deposit information for the Helena headquarters during the periods from November 2001 to July 2002. We identified 31 instances where deposits were made from 6 to 61 days late. Dollar amounts of sales (including cash, currency, and credit card sales) ranged from approximately \$250 to \$14,000.

Staff indicated deposit procedures were changed at the Helena headquarters in response to training received on the Automated Licensing System (ALS) implementation. The ALS generates weekly reports of the sales; therefore, deposits were not initiated until the end of the week. We noted the deposit is further delayed within the cashiering function while reconciling ALS and deposit information.

We also performed a review of the deposit activity of the regional headquarters in the same time frame noted above. Based on information provided by the department, we identified 17 instances where deposits were made from 4 to 8 days late. Sales amounts ranged from approximately \$32 to \$9,700.

Section 23-1-105, MCA, and section 87-1-601, MCA, provide exceptions to the deposit law noted above for state park fees and license drawing fees, respectively. The moneys collected at the regional headquarters are for other licenses and fees and miscellaneous items that are not exempt from the deposit requirements of section 17-6-105, MCA.

Findings and Recommendations

The risk of theft increases when there are delays between receipt of cash and checks and deposits. Also, delays in deposits result in lost interest to the department. The department should ensure timely deposits as required by law.

Recommendation #1

We recommend the department review its depositing procedures to ensure deposits are made in accordance with state law.

Procurement

The department contracts with various vendors to provide aircraft services for fish and wildlife monitoring purposes. In fiscal year 2001, we found instances where the department was not in compliance with required procurement policies and procedures when securing aircraft services.

Department procurement staff told us that 19 vendors provided aircraft services to the department in fiscal year 2001. We reviewed 13 of the vendor files with annual contract payments ranging from approximately \$5,100 to \$42,700, and found that 5 did not have required documentation for sole source purchasing. In addition, the services of 2 vendors were secured without a written contract.

Sole source purchases occur when goods or services are purchased without competition. The department has a delegated purchasing authority agreement with the Department of Administration. The agreement requires the department to include justification for the use of sole source procurements for goods or services exceeding \$5,000 in accordance with the Administrative Rules of Montana (ARM). Section 2.5.604(5), ARM, requires the use of a sole source procurement justification form. In addition, the department's purchasing manual requires written contracts for the purchase of goods and services exceeding \$5,000.

Written contracts often contain provisions that are needed to provide a basis for monitoring contract performance, ensure payments are within the terms of the contract, and ensure vendors meet necessary

Findings and Recommendations

requirements such as being properly licensed and insured. Without a written contract the department cannot document agreed-upon conditions. Written contracts help to protect both the department and the vendor from potential conflicts that may develop over execution of the contract.

Personnel said that in some instances field staff contracted directly with pilots for services needed and overlooked requirements for providing sole source justifications and securing written contracts. A new property section supervisor identified weaknesses in the procurement process noted above and reinforced existing procedures with field staff.

Aircraft services were paid for with both state and federal funds. Expenditures were charged to federal programs related to the Wildlife Restoration and Sport Fish Restoration programs (Fish & Wildlife cluster CFDA #s 15.605 and 15.611). OMB Circular A-87 provisions state that in order for a cost to be an allowable charge paid for with federal funds, the cost must be in compliance with the policies, regulations, and procedures of the state. Therefore, we question \$82,200 of federal funds spent on the purchase of aircraft services in fiscal year 2001.

Recommendation #2

We recommend the department continue to ensure existing procedures are followed for contract procurement and monitoring in accordance with state and federal requirements.

Foundation Operating Agreement

The Montana Fish, Wildlife and Parks Foundation (foundation) was created to solicit and hold donations and other funds which will be used to support the department in accomplishing its statutory mission. A department employee serves as liaison to the foundation. The department and the foundation executed an agreement to govern the relationship between the two entities. The agreement provides for the foundation to deliver annual financial statements and activity reports to the department. The agreement also appropriately states

Findings and Recommendations

that all transactions between the foundation and the department will be at arm's length.

The department does not receive the annual information specified in the agreement. Department management explained that the foundation delivers quarterly financial reports and tax filings instead of the annual financial report; however, this does not comply with the written agreement.

The department is charged under state law with the preservation of fish, wildlife, cultural, and historical resources. In fulfilling this charge, the department pays the salary and operating expenses of a department employee in the position of liaison to the foundation. A liaison position would generally coordinate activities and foster good working relationships between the department and the foundation. The individual serving as the liaison is also functioning as the foundation's executive director and in that role solicits and collects donations, approves payments, writes grant proposals, commits foundation resources, searches for potential board members, and directs foundation investment activity. The requirement to maintain arm's-length transactions is violated because the liaison is acting as the executive director and essentially running the day-to-day operations of the foundation.

Recommendation #3

We recommend the department ensure compliance with the foundation agreement requirements to obtain annual financial reports and ensure arms length transactions.

Independent Auditor's Report & Department Financial Schedules

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Schedules of Changes in Fund Balances & Property Held in Trust, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Department of Fish, Wildlife and Parks for each of the fiscal years ended June 30, 2001 and 2002. The information contained in these financial schedules is the responsibility of the department's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The schedules are not intended to be a complete presentation and disclosure of the department's assets, liabilities, and cash flows.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances/property held in trust of the Department of Fish, Wildlife and Parks for each of the fiscal years ended June 30, 2001 and 2002 in conformity with the basis of accounting described in note 1.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James Gillett".

James Gillett, CPA
Deputy Legislative Auditor

August 23, 2002

DEPARTMENT OF FISH, WILDLIFE AND PARKS
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General Fund	Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Agency Fund	Permanent Fund
	\$	\$	\$	\$	\$	\$	\$
FUND BALANCE: July 1, 2001	(21,807)	57,577,443	0	0	6,177,580	0	24,814,689
PROPERTY HELD IN TRUST: July 1, 2001						2,746,286	
ADDITIONS							
Budgeted Revenues & Transfers-In	38,014	54,681,142	25,819	361	2,224,284		2,524,838
NonBudgeted Revenues & Transfers-In	154	2,389,174		80,647	449,840		16,838
Prior Year Revenues & Transfers-In Adjustments		1,553,783			13,500		422
Direct Entries to Fund Balance	265,567	2,907,826	9,593				399,806
Additions to Property Held in Trust						21,131,685	
Total Additions	303,735	61,531,925	35,412	81,008	2,687,624	21,131,685	2,941,904
REDUCTIONS							
Budgeted Expenditures & Transfers-Out	281,815	52,855,954	35,412	51,813	2,617,508		1,728,242
NonBudgeted Expenditures & Transfers-Out		2,040,944			610,210		
Prior Year Expenditures & Transfers-Out Adjustments	(1,369)	155,156			204,158		
Reductions in Property Held in Trust						21,052,826	
Total Reductions	280,446	55,052,054	35,412	51,813	3,431,876	21,052,826	1,728,242
FUND BALANCE: June 30, 2002	1,482	64,057,314	0	29,195	5,433,328	0	26,028,351
PROPERTY HELD IN TRUST: June 30, 2002						2,825,145	

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	General Fund	Special Revenue Fund	Capital Projects Fund	Internal Service Fund	Agency Fund	Expendable Trust Fund	Nonexpendable Trust Fund
FUND BALANCE: July 1, 2000	\$ (28,112)	\$ 42,797,977	\$ (6,535)	\$ 6,851,667	\$ 0	\$ 16,235,542	\$ 22,908,228
PROPERTY HELD IN TRUST: July 1, 2000					\$ 2,673,892		
ADDITIONS							
Budgeted Revenues & Transfers-In	22,481	63,391,504	93,532	1,895,603		1,386,722	3,205,248
NonBudgeted Revenues & Transfers-In	131	1,528,582		223,122		(43,364)	(121,843)
Prior Year Revenues & Transfers-In Adjustments		835,218	106,289	93,531			(19,213)
Direct Entries to Fund Balance	403,976	967,408					372,464
Additions To Property Held in Trust					39,551,312		
Total Additions	426,588	66,722,712	199,821	2,212,256	39,551,312	1,343,358	3,436,656
REDUCTIONS							
Budgeted Expenditure & Transfers-Out	422,602	64,247,059	193,286	2,580,452		3,561,126	1,530,195
NonBudgeted Expenditure & Transfers-Out		1,491,683		115,868		766	
Prior Year Expenditure & Transfers-Out Adjustments	(2,319)	221,512		190,023			
Reductions in Property Held in Trust					39,478,918		
Total Reductions	420,283	65,960,254	193,286	2,886,343	39,478,918	3,561,892	1,530,195
FUND BALANCE: June 30, 2001	\$ (21,807)	\$ 43,560,435	\$ 0	\$ 6,177,580	\$ 0	\$ 14,017,008	\$ 24,814,689
PROPERTY HELD IN TRUST: June 30, 2001					\$ 2,746,286		

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF FISH, WILDLIFE AND PARKS
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

TOTAL REVENUES & TRANSFERS-IN BY CLASS									
Licenses and Permits									
Taxes	\$	154	\$	33,914,399				\$	352,989
Charges for Services		33,664		6,182			20		
Investment Earnings				1,244,821			2,237,784		
Fines and Forfeits		4,350		2,491,072		\$	361		2,059,416
Sale of Documents, Merchandise and Property				64,275					
Rentals, Leases and Royalties				349,249			65,647		
Miscellaneous								129,693	
Grants, Contracts, Donations and Abandonments				403,012			209,464		
Other Financing Sources				865,989					
Federal				3,437,010		\$	15,000		
Federal Indirect Cost Recoveries				13,405,233					
Total Revenues & Transfers-In		38,168		58,624,099			81,008		
Less Nonbudgeted Revenues & Transfers-In									
Prior Year Revenues & Transfers-In Adjustments		154		2,389,174			80,647		
Actual Budgeted Revenues & Transfers-In		0		1,553,783			0		
Estimated Revenues & Transfers-In		38,014		54,681,142			361		
Budgeted Revenues & Transfers-In Over (Under) Estimated		40,000		56,422,973			0		
	\$	(1,986)		\$ (1,741,831)			\$ 361		
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS									
Licenses and Permits				\$ 276,888					
Charges for Services	\$	(6,336)		(409,977)				\$	352,567
Investment Earnings				720,561					
Fines and Forfeits		4,350		62,900		\$	361		2,042,578
Sale of Documents, Merchandise and Property				341,849					
Rentals, Leases and Royalties								129,693	
Miscellaneous				393,771					
Grants, Contracts, Donations and Abandonments				148,595					
Other Financing Sources				134,343		\$	25,819		
Federal				(4,551,499)					
Federal Indirect Cost Recoveries				1,140,738					
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$	(1,986)		\$ (1,741,831)			\$ 361		
								\$	2,524,838
									\$ 631,446

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11

DEPARTMENT OF FISH, WILDLIFE AND PARKS
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	ADMINISTRATION & FINANCE DIVISION	CAPITAL OUTLAY	CONSERVATION EDUCATION DIVISION	DEPARTMENT MANAGEMENT	ENFORCEMENT DIVISION	FIELD SERVICES DIVISION	FISHERIES DIVISION	PARKS DIVISION	WILDLIFE DIVISION	Total
PROGRAM EXPENDITURES & TRANSFERS-OUT										
Personal Services										
Salaries	\$ 1,941,288		\$ 870,191	\$ 1,796,532	\$ 3,779,608	\$ 1,193,481	\$ 3,496,246	\$ 1,743,710	\$ 3,306,392	\$ 18,127,448
Hourly Wages	55,629		25,078	199,828	96,722	176,424	1,469,612	1,094,971	599,257	3,719,521
Other Compensation				15,945						15,945
Employee Benefits	511,815		226,515	517,746	1,065,767	348,266	1,321,076	700,124	969,611	5,660,920
Personal Services-Other	3,581							12,749		16,330
Total	<u>2,512,313</u>		<u>1,121,784</u>	<u>2,530,051</u>	<u>4,942,097</u>	<u>1,720,171</u>	<u>6,286,934</u>	<u>3,551,554</u>	<u>4,875,260</u>	<u>27,540,164</u>
Operating Expenses										
Other Services	3,387,547	\$ 50,223	633,074	425,504	86,467	3,457,301	1,306,830	423,998	868,022	10,638,966
Supplies & Materials	890,293	113,790	334,990	170,800	386,362	398,949	1,013,539	404,396	586,625	4,299,744
Communications	285,256	4,093	143,487	183,498	165,035	64,443	180,625	101,554	182,850	1,310,841
Travel	32,565	13,214	103,994	144,941	587,537	316,855	617,803	326,256	641,656	2,784,821
Rent	172,488	37,352	37,470	112,993	41,601	133,350	169,088	51,054	528,720	1,284,116
Utilities	8,010	7,535	4,634	123,158	4,365	7,812	164,641	128,571	19,486	468,212
Repair & Maintenance	547,020	52,044	24,248	95,249	84,101	211,021	296,000	356,212	131,403	1,797,298
Other Expenses	2,012,187	634	69,426	68,286	87,215	348,025	100,667	138,633	45,755	2,870,828
Goods Purchased For Resale	41,677		1,315					46,493		89,485
Total	<u>7,377,043</u>	<u>278,885</u>	<u>1,352,638</u>	<u>1,324,429</u>	<u>1,442,683</u>	<u>4,937,756</u>	<u>3,849,193</u>	<u>1,977,167</u>	<u>3,004,517</u>	<u>25,544,311</u>
Equipment & Intangible Assets										
Equipment	168,828	11,214	85,759	36,738	68,307	11,670	271,309	337,869	62,250	1,053,944
Intangible Assets						6,021				6,021
Total	<u>168,828</u>	<u>11,214</u>	<u>85,759</u>	<u>36,738</u>	<u>68,307</u>	<u>17,691</u>	<u>271,309</u>	<u>337,869</u>	<u>62,250</u>	<u>1,059,965</u>
Capital Outlay										
Land & Interest In Lend		(382,252)							53,484	(328,768)
Buildings		249,567								249,567
Other Improvements		<u>3,087,642</u>								<u>3,087,642</u>
Total		<u>2,954,957</u>							<u>53,484</u>	<u>3,008,441</u>
Grants										
From State Sources		36,336	39,797	69,389			30,000	311,541	182,185	669,248
From Federal Sources				5,000	(299)				(2,464)	2,237
Total		<u>36,336</u>	<u>39,797</u>	<u>74,389</u>	<u>(299)</u>		<u>30,000</u>	<u>311,541</u>	<u>179,721</u>	<u>671,485</u>
Benefits & Claims										
From State Sources						5,057				5,057
Total						<u>5,057</u>				<u>5,057</u>
Transfers										
Accounting Entity Transfers	<u>2,709,601</u>	<u>25,819</u>						<u>15,000</u>		<u>2,750,420</u>
Total	<u>2,709,601</u>	<u>25,819</u>						<u>15,000</u>		<u>2,750,420</u>
Total Expenditures & Transfers-Out	<u>\$ 12,767,785</u>	<u>\$ 3,307,211</u>	<u>\$ 2,599,978</u>	<u>\$ 3,965,607</u>	<u>\$ 6,452,788</u>	<u>\$ 6,680,675</u>	<u>\$ 10,437,436</u>	<u>\$ 6,193,131</u>	<u>\$ 8,175,232</u>	<u>\$ 60,579,843</u>
EXPENDITURES & TRANSFERS-OUT BY FUND										
General Fund			\$ 2,562					\$ 277,884		\$ 280,446
Special Revenue Fund	\$ 8,130,475	\$ 3,271,799	2,597,416	\$ 3,965,607	\$ 6,452,788	\$ 6,468,485	\$ 10,437,436	5,552,816	\$ 8,175,232	55,052,054
Capital Projects Fund		35,412								35,412
Enterprise Fund								51,813		51,813
Internal Service Fund	2,909,068					212,190		310,618		3,431,876
Permanent Fund	<u>1,728,242</u>									<u>1,728,242</u>
Total Expenditures & Transfers-Out	12,767,785	3,307,211	2,599,978	3,965,607	6,452,788	6,680,675	10,437,436	6,193,131	8,175,232	60,579,843
Less: Nonbudgeted Expenditures & Transfers-Out	3,388,923	16,500	50,525	15,501	25,294	0	549,479	28,726	304,449	4,379,397
Prior Year Expenditures & Transfers-Out Adjustments	<u>224,361</u>	<u>0</u>	<u>10,548</u>	<u>16,813</u>	<u>6,718</u>	<u>(19,539)</u>	<u>71,053</u>	<u>22,868</u>	<u>25,123</u>	<u>357,945</u>
Actual Budgeted Expenditures & Transfers-Out	9,154,501	3,290,711	2,538,905	3,933,293	6,420,776	6,700,214	9,816,904	6,141,537	7,845,660	55,842,501
Budget Authority	<u>9,336,432</u>	<u>34,732,645</u>	<u>2,782,560</u>	<u>5,094,552</u>	<u>6,688,695</u>	<u>7,650,379</u>	<u>11,104,471</u>	<u>6,988,720</u>	<u>15,601,099</u>	<u>99,979,553</u>
Unspent Budget Authority	<u>\$ 181,931</u>	<u>\$ 31,441,934</u>	<u>\$ 243,655</u>	<u>\$ 1,161,259</u>	<u>\$ 267,919</u>	<u>\$ 950,165</u>	<u>\$ 1,287,567</u>	<u>\$ 847,183</u>	<u>\$ 7,755,439</u>	<u>\$ 44,137,052</u>
UNSPENT BUDGET AUTHORITY BY FUND										
General Fund								\$ 3		\$ 3
Special Revenue Fund	\$ 99,409	\$ 31,137,014	\$ 243,655	\$ 1,161,259	\$ 267,919	\$ 885,513	\$ 1,287,567	806,043	\$ 7,755,439	43,643,818
Capital Projects Fund		304,920								304,920
Enterprise Fund								19,187		19,187
Internal Service Fund	82,522					64,652		21,950		169,124
Permanent Fund										0
Unspent Budget Authority	<u>\$ 181,931</u>	<u>\$ 31,441,934</u>	<u>\$ 243,655</u>	<u>\$ 1,161,259</u>	<u>\$ 267,919</u>	<u>\$ 950,165</u>	<u>\$ 1,287,567</u>	<u>\$ 847,183</u>	<u>\$ 7,755,439</u>	<u>\$ 44,137,052</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	PROGRAM (SUB-CLASS) NOT SPECIFIED	ADMINISTRATION & FINANCE DIVISION	CAPITAL OUTLAY	CONSERVATION EDUCATION DIVISION	DEPARTMENT MANAGEMENT	FIELD SERVICES DIVISION	FISHERIES DIVISION	ENFORCEMENT DIVISION	PARKS DIVISION	WILDLIFE DIVISION	Total
PROGRAM EXPENDITURES & TRANSFERS-OUT											
Personal Services											
Salaries		\$ 1,984,133		\$ 853,061	\$ 1,881,983	\$ 1,380,173	\$ 4,660,550	\$ 3,682,322	\$ 2,694,947	\$ 3,725,755	20,862,924
Hourly Wages							693	72	4,347	46	5,158
Other Compensation					12,550						12,550
Employee Benefits		490,233		214,216	488,977	340,349	1,220,288	997,787	650,653	921,063	5,323,566
Personal Services-Other		(1,096)							1,677		581
Total		<u>2,473,270</u>		<u>1,067,277</u>	<u>2,383,510</u>	<u>1,720,522</u>	<u>5,881,531</u>	<u>4,680,181</u>	<u>3,351,624</u>	<u>4,646,864</u>	\$ <u>26,204,779</u>
Operating Expenses											
Other Services		2,620,147	\$ 158,262	605,355	250,077	3,109,183	1,260,119	322,045	224,266	986,783	9,536,237
Supplies & Materials		918,578	40,720	318,281	193,500	382,159	782,244	317,548	405,208	674,641	4,032,879
Communications		256,277	865	115,163	164,041	63,607	132,645	196,607	99,508	172,600	1,201,313
Travel		42,511	760	119,713	122,020	294,178	491,500	530,269	273,742	484,990	2,359,683
Rent		153,234	39,591	38,854	106,678	169,675	162,995	43,789	42,332	464,077	1,221,225
Utilities		9,696	2,331	4,263	135,674	12,083	244,085	4,174	129,491	20,429	562,226
Repair & Maintenance		363,108	91,615	10,326	102,055	195,514	415,882	76,119	234,444	137,089	1,626,152
Other Expenses	\$ 689,230	738,022	1,080	66,785	70,135	364,145	67,839	75,678	108,967	25,770	2,207,651
Goods Purchased For Resale		69,912							37,387		107,299
Total	<u>689,230</u>	<u>5,171,485</u>	<u>335,224</u>	<u>1,278,740</u>	<u>1,144,180</u>	<u>4,590,544</u>	<u>3,557,309</u>	<u>1,566,229</u>	<u>1,555,345</u>	<u>2,966,379</u>	<u>22,854,665</u>
Equipment & Intangible Assets											
Equipment	(939,789)	939,224		24,700	17,149	10,000	153,975	44,153	82,543	13,375	345,330
Livestock							32				32
Total	<u>(939,789)</u>	<u>939,224</u>		<u>24,700</u>	<u>17,149</u>	<u>10,000</u>	<u>154,007</u>	<u>44,153</u>	<u>82,543</u>	<u>13,375</u>	<u>345,362</u>
Capital Outlay											
Land & Interest In Land			4,415,827							12,152,965	16,568,792
Buildings			1,287,466								1,287,466
Other Improvements			<u>3,009,388</u>				(6,413)				<u>3,002,975</u>
Total			<u>8,712,681</u>				<u>(6,413)</u>			<u>12,152,965</u>	<u>20,859,233</u>
Grants											
From State Sources				61,910	51,550		30,000		1,177,141	122,540	1,443,141
From Federal Sources								17,155	184,010	2,463	203,628
Total				<u>61,910</u>	<u>51,550</u>		<u>30,000</u>	<u>17,155</u>	<u>1,361,151</u>	<u>125,003</u>	<u>1,646,769</u>
Benefits & Claims											
From State Sources							3,627				3,627
Total							<u>3,627</u>				<u>3,627</u>
Transfers											
Accounting Entity Transfers		2,504,605	93,532						39,680		2,637,817
Total		<u>2,504,605</u>	<u>93,532</u>						<u>39,680</u>		<u>2,637,817</u>
Total Expenditures & Transfers-Out	\$ <u>(250,559)</u>	\$ <u>11,088,584</u>	\$ <u>9,141,437</u>	\$ <u>2,432,627</u>	\$ <u>3,596,389</u>	\$ <u>6,324,693</u>	\$ <u>9,616,434</u>	\$ <u>6,307,718</u>	\$ <u>6,390,343</u>	\$ <u>19,904,586</u>	\$ <u>74,552,252</u>
EXPENDITURES & TRANSFERS-OUT BY FUND											
General Fund				\$ 2,577				\$ 134,357	\$ 283,349		420,283
Special Revenue Fund		\$ 6,820,401	\$ 8,162,995	2,430,050	\$ 3,596,389	\$ 6,140,513	\$ 9,580,203	6,173,361	5,816,154	\$ 17,240,188	65,960,254
Capital Projects Fund			193,286								193,286
Internal Service Fund	\$ (250,559)	2,661,881				184,180			290,840		2,886,342
Expendable Trust Fund		76,107	785,156				36,231			2,664,398	3,561,892
Nonexpendable Trust Fund		1,530,195									1,530,195
Total Expenditures & Transfers-Out	<u>(250,559)</u>	<u>11,088,584</u>	<u>9,141,437</u>	<u>2,432,627</u>	<u>3,596,389</u>	<u>6,324,693</u>	<u>9,616,434</u>	<u>6,307,718</u>	<u>6,390,343</u>	<u>19,904,586</u>	\$ <u>74,552,252</u>
Less: Nonbudgeted Expenditures & Transfers-Out	(451,199)	3,069,996	785,156	74,899	0	0	437,380	18,325	69,767	2,694,550	6,698,874
Prior Year Expenditures & Transfers-Out Adjustments	200,640	(6,059)	0	(1,430)	22,403	8,471	52,709	2,950	9,955	120,341	409,980
Actual Budgeted Expenditures & Transfers-Out	\$ 0	8,024,647	8,356,281	2,359,158	3,573,986	6,316,222	9,126,345	6,286,443	6,310,621	17,089,695	67,443,398
Budget Authority		8,382,105	43,066,449	2,392,163	3,597,935	6,676,540	10,319,826	6,639,678	7,384,878	18,684,806	107,144,380
Unspent Budget Authority		\$ <u>357,458</u>	\$ <u>34,710,168</u>	\$ <u>33,005</u>	\$ <u>23,949</u>	\$ <u>360,318</u>	\$ <u>1,193,481</u>	\$ <u>353,235</u>	\$ <u>1,074,257</u>	\$ <u>1,595,111</u>	\$ <u>39,700,982</u>
UNSPENT BUDGET AUTHORITY BY FUND											
General Fund				\$ 70				\$ 1,463	\$ 6		1,539
Special Revenue Fund		\$ 122,333	\$ 34,322,464	32,935	\$ 23,949	\$ 313,971	\$ 1,193,481	351,772	1,068,432	\$ 1,595,111	39,024,448
Capital Projects Fund			340,331								340,331
Internal Service Fund		235,125				46,347			5,819		287,291
Expendable Trust Fund			47,373								47,373
Unspent Budget Authority		\$ <u>357,458</u>	\$ <u>34,710,168</u>	\$ <u>33,005</u>	\$ <u>23,949</u>	\$ <u>360,318</u>	\$ <u>1,193,481</u>	\$ <u>353,235</u>	\$ <u>1,074,257</u>	\$ <u>1,595,111</u>	\$ <u>39,700,982</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

Montana Department of Fish, Wildlife and Parks

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 2002

1. Summary of Significant Accounting Policies

Basis of Accounting

The department uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental Fund category (General, Special Revenue, Capital Projects, Expendable Trust, and Permanent Funds). In applying the modified accrual basis, the department records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the department to record the cost of employees' annual leave and sick leave when used or paid.

The department uses accrual basis accounting for its Proprietary (Enterprise, Internal Service) and Fiduciary (Nonexpendable Trust, Agency) Fund categories. Under the accrual basis, as defined by state accounting policy, the department records revenues in the accounting period earned when measurable and records expenses in the period incurred when measurable.

Expenditures and expenses may include: entire budgeted service contracts even though the department receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order but not received before fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial

Notes to the Financial Schedules

schedules are prepared from the transactions posted to the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.

The 2001 Legislature modified the fund structure established in section 17-2-102, MCA, to implement the changes made to generally accepted accounting principles (GAAP) by Governmental Accounting Standards Board (GASB) Statement 34. These changes were effective July 1, 2001. Accounts are organized in funds according to state law applicable at the time transactions were recorded. The department uses the following funds:

Governmental Fund Category

General Fund - to account for all financial resources except those required to be accounted for in another fund. General Fund includes support for the parks and enforcement divisions.

Special Revenue Fund - to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes. Department Special Revenue Funds include federal and private grants, donations, and state earmarked revenue from licenses and permits. In fiscal year 2001, the department had Expendable Trust Funds, which included Wildlife and Fisheries Mitigation Trust Funds money received from federal and private grants and donations. These are recorded in the Special Revenue Fund in fiscal year 2002.

Capital Projects Fund - to account for financial resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or trust funds. Some of the department's construction projects are recorded on the Department of Administration-Architecture & Engineering Division's records.

Permanent Fund – to account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the department's programs. The

department uses this fund to record revenue from the sale or lease of department lands and the department's share of the state coal severance tax. Revenue earned from the investment of the trust fund money is transferred to the State Special Revenue Fund for expenditure. In fiscal year 2001 this fund was called the Nonexpendable Trust Fund.

Proprietary Fund Category

Internal Service Fund - to account for the financing of goods or services provided by one department or agency to other departments or agencies of state government or to other governmental entities on a cost-reimbursement basis. Department Internal Service Funds include duplicating services, department-owned vehicles and aircraft, warehouse inventory items, and grounds maintenance for the capitol complex area.

Enterprise Fund – to account for operations (a) financed and operated in a manner similar to private business enterprises, where the legislature intends that the department finance or recover costs primarily through user charges; or (b) where the Legislature has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. This is a new fund for the department in fiscal year 2002, authorized by the 2001 Legislature in Senate Bill 105, to account for state park visitor services revenue. This fund accounts for obtaining and selling educational, commemorative, and interpretive merchandise.

Fiduciary Fund Category

Agency Funds - to account for resources held by the state in a custodial capacity. The department Agency Fund is primarily used as a license drawing clearing account.

2. General Fund Balance

The negative fund balance in the General Fund for fiscal year 2001 does not indicate overspent appropriation authority. Each agency has authority to pay obligations from the statewide General Fund within its appropriation limits. Each agency expends cash or other assets from the statewide fund when it pays General Fund

Notes to the Financial Schedules

obligations. The department's outstanding liabilities exceed the assets the agency has placed in the fund, resulting in a negative ending General Fund balance for the fiscal year ended June 30, 2001.

The department's total assets placed in the fund exceed outstanding liabilities, resulting in a positive ending General Fund balance for the fiscal year ended June 30, 2002. This balance reflects activity at the agency and not the fund balance of the statewide General Fund.

3. Expenditure Program (Sub-Class)

As part of the implementation of a new accounting system (SABHRS) in fiscal year 1999-00, state officials determined that a sub-class designation would identify the program to which an expenditure should be charged. State officials did not require non-budgeted expenditure transactions to be identified to a sub-class. The program designations in the Schedules of Total Expenditures & Transfers-Out are based on the sub-class designation used when the expenditures were recorded. The accounting system did not require agencies to code non-budgeted accounts with a subclass code identifying the expenditure program in which the activity occurred until September 2000 (fiscal year 2001). This new edit requires that all expenditure transactions entered through the general ledger include a sub-class value. This non-budgeted activity is included in the column titled Program (Sub-Class) Not Specified on the Schedule of Total Expenditures & Transfers-Out in fiscal year 2001.

4. Direct Entries to Fund Balance

Direct entries to fund balances include entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies.

5. Additions and Deletions to Property Held in Trust

The department uses the Agency Fund primarily as a clearing account for the initial receipt of big game license drawing fees. After drawings are held, monies are either refunded to unsuccessful applicants or deposited to earmarked special revenue funds as required by state law. The additions and deletions to Property Held in Trust on the Schedules of Changes in Fund Balances & Property Held in Trust in the Agency Fund represent all debits and credits to

the "Property Held in Trust" account, some of which are necessary to close out subsidiary detail information.

6. Related Party Transactions

The department has an operating agreement with the Montana Fish, Wildlife and Parks Foundation (foundation), a non-profit 501(c) (3) corporation. The foundation exists to engage in activities related to the preservation and enhancement of the natural, cultural, and recreational resources in Montana and provide support from the private sector for the efforts of the department in these areas.

A department employee, in the position of liaison to the foundation, serves as executive director of the foundation. The department pays the salary and operating costs of this position. Department expenditures made on behalf of the foundation in fiscal years 2001 and 2002 were approximately \$66,000 and \$70,000, respectively. The foundation transferred \$15,500 to the department in fiscal year 2002.

Department Response



Montana Fish, Wildlife & Parks

P. O. Box 200701
Helena, MT 59620-0701
(406) 444-3186
FAX: 406-444-4952
Ref: DO780-02
October 29, 2002

Scott Seacat, Legislative Auditor
Legislative Audit Division
State Capital
Helena, MT 59620

Dear Mr. Seacat:

Fish, Wildlife & Parks (FWP) has reviewed the financial-compliance audit report issued on the Department for the two fiscal years ending June 30, 2002. The Department's response to the recommendations follows:

Recommendation #1

We recommend the department review its depositing procedures to ensure deposits are made in accordance with state law.

Concur

FWP will review internal depositing procedures and strengthen where appropriate in order to ensure that deposits are made in accordance with state law.

Recommendation #2

We recommend the department continue to ensure existing procedures are followed for contract procurement and monitoring in accordance with state and federal requirements.

Concur

As stated by the auditors, FWP's accounting staff discovered this problem area during FY 2002 and initiated corrective action by reinforcing existing purchasing procedures with field staff. Since that time field staff have shown increased awareness and compliance with required procurement policies. FWP will continue to stress the importance of proper contract procurement procedures with all Department employees.

Recommendation #3

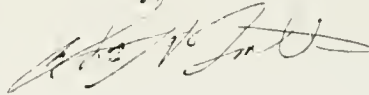
We recommend the department ensure compliance with the foundation agreement requirements to obtain annual financial reports and ensure arms length transactions.

Concur

The Foundation currently provides quarterly financial reports to FWP, and FWP is working with the Foundation to ensure that other required data, such as annual financial reports, are provided timely as specified in the agreement. As discussed with the auditors, when the Foundation was created, it was recognized that the “arms length” relationship for financial transactions would necessarily develop over time. While establishing the requisite arms length relationship has not been completely finalized, the Department continues to make good progress in accomplishing this goal.

FWP appreciates the opportunity to respond to these recommendations, and the professional manner in which the audit was conducted.

Sincerely,

A handwritten signature in dark ink, appearing to read 'M. Jeff Hagener', written in a cursive style.

 M. Jeff Hagener
Director

